

Public Chapter 286

SENATE BILL NO. 768

By Atchley

Substituted for: House Bill No. 1484

By Kisber

AN ACT To amend Tennessee Code Annotated, Title 47, Chapter 30, relative to the Home Equity Conversion Mortgage Act.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 47-30-102, is amended in subdivision (4) by deleting the words "means an individual" and by substituting instead the words and figures "means either (1) an individual".

Tennessee Code Annotated, Section 47-30-102, is further amended by adding the following words and figures following the words "reverse mortgage counselors;":

or (2) a person or entity qualified under Fannie Mae guidelines to serve as counselor in consumer education;

SECTION 2. Tennessee Code Annotated, Section 47-30-102, is amended by adding the following new subdivisions:

() "Equity share" means any compensation, in addition to interest that has accrued on the outstanding balance, that the borrower has paid or agrees to pay to the lender at maturity of a reverse mortgage loan, which is equal to a percentage of the value of the property securing a reverse mortgage loan at maturity.

() "Fannie Mae" means The Federal National Mortgage Association, a corporation organized and existing under the laws of the United States.

() "Fannie Mae Reverse Mortgage Loan" means any reverse mortgage loan which complies with Fannie Mae guidelines and is purchased or securitized by Fannie Mae including a Home Keeper Mortgage Loan.

() "Securitized" means converting mortgages or deeds of trust into securities that may be purchased by investors.

SECTION 3. Tennessee Code Annotated, Section 47-30-102, is further amended in subdivision (5)(D) by inserting the words ", if a HUD Loan," after the words "trust or mortgage" and before the words "This is".

Tennessee Code Annotated, Section 47-30-102, is further amended in subdivision (5)(D) by inserting the following language after the words and figures "Chapter 30" " and before the semi-colon:

or, if it is a Fannie Mae Reverse Mortgage Loan, contains on the face of the note and deed of trust or mortgage the words "Home Keeper Mortgage" or "Fannie Mae Reverse Mortgage", pursuant to Tennessee Code Annotated, Title 47, Chapter 30.

SECTION 4. Tennessee Code Annotated, Section 47-30-103, is amended in the second sentence of subdivision (b) by deleting the words "HUD lender" and by substituting instead the words "Fannie Mae or HUD lender".

Tennessee Code Annotated, Section 47-30-103, is further amended in the second sentence of subdivision (c) by deleting the words "HUD lender" and by substituting instead the words "Fannie Mae or HUD lender".

SECTION 5. Tennessee Code Annotated, Section 47-30-104, is amended in subsection (a) by deleting the words "similar federal agency" and by substituting instead the words "similar federal agency or is a Fannie Mae Reverse Mortgage Loan".

SECTION 6. Tennessee Code Annotated, Section 47-30-107, is amended in subsection (b)(2) by deleting the words "Mortgage Program" in the second sentence and substituting instead the words "Mortgage Program or by Fannie Mae for a Fannie Mae Reverse Mortgage Loan".

Tennessee Code Annotated, Section 47-30-107, is further amended in subsection (b) by adding the following new subdivisions:

(3) Repair administration fee, which complies with Fannie Mae guidelines or HUD regulations.

(4) An equity share, including shared appreciation, if the transaction is a Fannie Mae Reverse Mortgage Loan of any principal amount notwithstanding Section 47-24-102.

SECTION 7. Tennessee Code Annotated, Section 47-30-108, is amended by deleting from the first sentence of subsection (a) the words "When a reverse mortgage loan becomes due" and by substituting instead the words "When a reverse mortgage loan, other than a Fannie Mae Reverse Mortgage Loan, becomes due".

SECTION 8. Tennessee Code Annotated, Title 47, Chapter 30, Part 1, is amended by adding the following new section:

Section _____. (a) When a Fannie Mae Reverse Mortgage Loan becomes due, the amount owed by the borrower shall not be greater than:

(1) The fair market value of the house, or

(2) The outstanding balance of the loan, including any equity share, if applicable under the terms of the contract, whichever is less.

(b) The lender shall enforce the debt only through the sale of the property and shall not obtain a deficiency judgment against the borrower.

SECTION 9. Tennessee Code Annotated, Section 47-30-109, is amended by deleting subdivision (4) of subsection (a) in its entirety and by substituting instead the following new subdivision (4):

(4) Either the projected total annual percentage rate as defined in Section 47-30-102(11) or a table of projected "Total Annual Loan Cost Rates" calculated in accordance with the provisions of Section 226.33 of Regulation Z (12 CFR Section 226.33) of the Federal Truth in Lending Act, 15 USC 1601 et seq. applicable under various loan terms and appreciation rates and interest rates applicable at sample ages of borrowers;

Tennessee Code Annotated, Section 47-30-109, is further amended in subsection (b) by deleting the words "with HUD" and by substituting instead the words "with HUD or Fannie Mae".

SECTION 10. Tennessee Code Annotated, Section 47-30-112, is amended by deleting the word "or" at the end of subdivision (5) and further amend the section by changing the period at the end of subdivision (6) to a semi-colon and by adding the word "or" at the end of subdivision (6) and by adding a new subdivision:

(7) The mortgage or deed of trust ceases to constitute a first lien on the property securing the reverse mortgage loan.

SECTION 11. Tennessee Code Annotated, Section 47-30-115, is amended by deleting subdivision (5) in its entirety and by substituting instead the following new subdivision (5):

(5) Contracting for or receiving shared appreciation except that this provision shall not apply to any Fannie Mae Reverse Mortgage Loan.

SECTION 12. This act shall take effect on becoming a law, the public welfare requiring it.